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TOPSPORTS INTERNATIONAL HOLDINGS LIMITED

滔搏國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 6110)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

Reference is made to the continuing connected transactions under the 2019 Framework Agreements, the details of which are disclosed in the “Connected Transactions” section of the prospectus of the Company dated September 26, 2019.

As the term of each of the 2019 Framework Agreements will soon expire, on February 28, 2022, the Company entered into the 2022 Framework Agreements, including (i) the 2022 Property Leasing Framework Agreement with Belle International for the lease of certain properties owned by Belle International Group; and (ii) the 2022 Logistics Services Framework Agreement with Li Xun in relation to the provision of logistics services by Li Xun to the Group.

Belle International is an associate of Hillhouse HHBH and WMVL, both being substantial shareholders of the Company, and Li Xun is indirectly wholly-owned by Belle International. Accordingly, Belle International and Li Xun are connected persons of the Company and the transactions contemplated under the 2022 Framework Agreements constitute connected transactions of the Company.

For each of the transactions under the 2022 Framework Agreements, the highest applicable percentage ratio calculated with reference to the highest of the maximum transaction amount is more than 0.1% but less than 5%. Accordingly, each of the transactions under the 2022 Framework Agreements is subject to the reporting, announcement and annual review requirements but exempted from the circular and independent Shareholders approval requirements under Chapter 14A of the Listing Rules.

BACKGROUND

Reference is made to the continuing connected transactions under the 2019 Framework Agreements, the details of which are disclosed in the “Connected Transactions” section of the prospectus of the Company dated September 26, 2019.

As the term of each of the 2019 Framework Agreements will expire on February 28, 2022, the Company and the respective counterparties have entered into the 2022 Framework Agreements on February 28, 2022 to renew the 2019 Framework Agreements.

2022 PROPERTY LEASING FRAMEWORK AGREEMENT

The principal terms of the 2022 Property Leasing Framework Agreement are set out below:

- Date : February 28, 2022
- Parties : (a) the Company; and
(b) Belle International
- Term : March 1, 2022 to May 31, 2024
- Subject Matter : Belle International Group shall lease to our Group certain properties located in the PRC and Hong Kong for use as office or commercial premises, car parking space or storage facilities.

Our Group may rent additional properties or cease to rent properties from Belle International Group based on our actual demand for property space.

The relevant tenants from our Group and the relevant landlords from Belle International Group shall enter into separate lease agreements which shall set out the specific terms and conditions in accordance with the principles and conditions provided in the 2022 Property Leasing Framework Agreement.

- Rental fees and pricing policy : The rental price is determined between the parties following their arm's length negotiations with reference to:
- (a) the gross area of the relevant property and the rental period;
 - (b) the market prices of comparable properties of similar conditions in the vicinity; and
 - (c) the rental price payable by independent third party to Belle International Group in respect of comparable properties.

The rental price shall be reviewed and adjusted in every rental cycle during the term of the 2022 Property Leasing Framework Agreement with reference to the prevailing market rental prices, the consumer price index and the terms and conditions of the leases offered by Belle International Group to other tenants.

Historical Figures

The table below sets out the aggregate amount of lease payments made by the Group under the 2019 Property Leasing Framework Agreement:

	For the year ended February 29, 2020	For the year ended February 28, 2021	For the 6 months ended August 31, 2021
	(RMB in million)	(RMB in million)	(RMB in million)
Aggregate lease payments	32.0	30.6	16.9

Maximum Transaction Amounts and Basis

The aggregate amount of lease payments to be made by the Group under the 2022 Property Leasing Framework Agreement for the two years ending February 28, 2023 and February 29, 2024 and the three months ending May 31, 2024 are not expected to exceed RMB35.8 million, RMB37.9 million and RMB10.1 million, respectively.

Pursuant to IFRS 16, the lease of properties by the Group as lessee under the 2022 Property Leasing Framework Agreement will be recognized as right-of-use assets, and accordingly, the Directors estimate the maximum transaction amounts under the 2022 Property Leasing Framework Agreement to be as follows:

	For the year ending February 28, 2023	For the year ending February 29, 2024	For the 3 months ending May 31, 2024
	(RMB in million)	(RMB in million)	(RMB in million)
Total value of right-of-use assets relating to the leases to be entered into in the relevant year or period	95.0	95.0	95.0

In arriving at the above maximum transaction amounts, the Directors have considered (i) the historical figures as set out above; (ii) the current rental prices of comparable properties in the vicinity and the prevailing market rates; (iii) the expected increase in rental prices based on inflation rate and prediction on the future development of the property market in the PRC; and (iv) the expected signing of new leases due to potentially increasing demand of our Group for property space and the expected tenor of the new leases.

Reasons and Benefits

Our Group has historically been leasing properties from Belle International Group for use as office or commercial premises or storage facilities due to the proximity of business premises of the Group and Belle International Group. By entering into the 2022 Property Leasing Framework Agreement with Belle International, the Company may continue to enjoy the convenience of locations and competitive rental price which will help to ensure stability of the Group's operations and reduce unnecessary administrative expenses. The Company is therefore of the view that it is in the best interest of the Company and its Shareholders to renew the continuing connected transaction with Belle International.

2022 LOGISTICS SERVICES FRAMEWORK AGREEMENT

The principal terms of the 2022 Logistics Services Framework Agreement are set out below:

- | | | |
|---------------------------------|---|---|
| Date | : | February 28, 2022 |
| Parties | : | (a) the Company; and
(b) Li Xun |
| Term | : | March 1, 2022 to May 31, 2024 |
| Subject Matter | : | Li Xun and/or its subsidiaries shall provide logistics services (“ Logistics Services ”) to the Group, which include but not limited to:

(a) transportation of goods after delivery from the Group's suppliers (including but not limited to transportation among warehouses and stores); and

(b) provision of warehouses, storage and other commercial facilities. |
| Service fees and pricing policy | : | The service fees are determined after arm's length negotiations between the parties on the ground of fairness and after taking into account:

(a) the volume of Logistics Services required by the Group in a relevant period; and

(b) the actual cost incurred by Li Xun for the provision of Logistics Services in the preceding financial year plus a 5% pre-tax mark-up. |

Li Xun has agreed to provide its audited accounts for the relevant financial year to the Group for verification of its cost base. When and where required, the Group will also seek quotations from other service providers that are independent third parties to make sure that the terms of the 2022 Logistics Services Framework Agreement are on normal commercial terms or better.

Historical Figures

The table below sets out the historical transaction amounts under the 2019 Logistics Services Framework Agreement:

	For the year ended February 29, 2020	For the year ended February 28, 2021	For the 6 months ended August 31, 2021
	(RMB in million)	(RMB in million)	(RMB in million)
Logistics Services fees	308.3	368.6	180.4

Maximum Transaction Amounts and Basis

The Directors estimate the maximum transaction amounts for the aggregate Logistics Services fees under the 2022 Logistics Services Framework Agreement to be as follows:

	For the year ending February 28, 2023	For the year ending February 29, 2024	For the 3 months ending May 31, 2024
	(RMB in million)	(RMB in million)	(RMB in million)
Logistics Services fees	445.9	537.3	194.3

In arriving at the above maximum transaction amounts, the Directors have considered (i) the historical figures as set out above; (ii) our business outlook and the expected growth in our overall sales and, as a result, the logistics needs; (iii) increase in the level of sophistication of our logistics needs (e.g. on-demand inventory replenishment); and (iv) potential cost inflation (e.g. increase in wages for delivery personnel) which may result in an increase in Li Xun's operating cost, which would be reflected into the fees payable by us.

Reasons and Benefits

Li Xun is equipped with capabilities of and experiences in professional logistics and delivery services specifically for the manufacturing and retail businesses. Further, Li Xun has a proven record of reliability that meets our Group's highly demanding logistics needs, in particular, Li Xun is able to provide efficient and timely logistics services at relatively low cost due to its centralized and integrated logistics operations. As compared to third-party logistics service providers, Li Xun has a better understanding of our delivery requirements, is more familiar with our nationwide store network and can better integrate with our inventory management system, which are critical to our operations. The Company is therefore of the view that it is in the best interest of the Company and its Shareholders to renew the continuing connected transaction with Li Xun.

INFORMATION ON THE PARTIES

The Group

The Group is principally engaged in the sales of sportswear products and leasing commercial spaces to other retailers for concessionaire sales in the PRC.

Belle International

Belle International Group is principally engaged in the footwear and apparel business in the PRC, Hong Kong and Macau. The majority business of Belle International Group adopts a vertically integrated business model which covers product research and development, design, brand management, manufacturing and retailing.

Belle International is an associate of Hillhouse HHBH and WMVL. Hillhouse HHBH is a company ultimately controlled by Hillhouse Fund III, L.P. and the sole investment manager of Hillhouse Fund III, L.P. is Hillhouse Capital Management, Ltd. WMVL is a company collectively held by certain Directors of the Company and other senior management members of the affiliates of the Company. Both Hillhouse HHBH and WMVL are substantial shareholders of the Company.

Li Xun

Li Xun and its subsidiaries are principally engaged in the provision of logistics services and services relating to development, consultation, training and transfer of logistic-related technologies. Li Xun is an indirect wholly-owned subsidiary of Belle International.

CONFIRMATION FROM THE DIRECTORS

The Directors (including the independent non-executive Directors) are of the view that the each of the 2022 Framework Agreements is entered into in the ordinary and usual course of business of the Group and on normal commercial terms or better. The terms of the transactions contemplated under the 2022 Framework Agreements and the proposed maximum transaction amounts are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

Mr. Yu Wu, Mr. Sheng Baijiao, Mr. Sheng Fang, Ms. Yung Josephine Ching and Ms. Hu Xiaoling are considered to have material interest in the transactions contemplated under the 2022 Framework Agreements by virtue of their positions held in Belle International and/or its ultimate beneficial owners, and had thus abstained from voting on resolutions of the Board in respect of the foregoing transactions.

LISTING RULES IMPLICATION

Belle International is an associate of Hillhouse HBBH and WMVL, both being substantial shareholders of the Company, and Li Xun is indirectly wholly-owned by Belle International. Accordingly, Belle International and Li Xun are connected persons of the Company and the transactions contemplated under the 2022 Framework Agreements constitute connected transactions of the Company.

For each of the transactions under the 2022 Framework Agreements, the highest applicable percentage ratio calculated with reference to the highest of the maximum transaction amounts is more than 0.1% but less than 5%. Accordingly, each of the transactions under the 2022 Framework Agreements is subject to the reporting, announcement and annual review requirements but exempted from the circular and independent Shareholders approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the following meanings, unless the context requires otherwise:

“2019 Framework Agreements”	collectively, the 2019 Property Leasing Framework Agreement and the 2019 Logistics Services Framework Agreement
“2019 Logistics Services Framework Agreement”	the logistics services framework agreement entered into between the Company and Li Xun on September 20, 2019 in relation to the provision of logistics services by Li Xun to the Group

“2019 Property Leasing Framework Agreement”	the property leasing framework agreement entered into between the Company and Belle International on September 20, 2019 in relation to the lease of certain properties owned by Belle International Group
“2022 Framework Agreements”	collectively, the 2022 Property Leasing Framework Agreement and the 2022 Logistics Services Framework Agreement
“2022 Logistics Services Framework Agreement”	the logistics services framework agreement entered into between the Company and Li Xun on February 28, 2022 in relation to the provision of logistics services by Li Xun to the Group
“2022 Property Leasing Framework Agreement”	the property leasing framework agreement entered into between the Company and Belle International on February 28, 2022 in relation to the lease of certain properties owned by Belle International Group
“associate(s)”, “connected person(s)”, “percentage ratio(s)” and “substantial shareholder(s)”	each has the meaning ascribed to it under the Listing Rules
“Belle International”	Belle International Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability
“Belle International Group”	Belle International and its subsidiaries from time to time
“Board”	the board of Directors
“Company”	Topsports International Holdings Limited (滔搏國際控股有限公司), a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 6110)
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries from time to time
“Hillhouse HHBH”	Hillhouse HHBH Holdings Limited, a substantial shareholder of the Company
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC

“Li Xun”	Li Xun Corporate Development (Shanghai) Company Ltd. (麗迅企業發展(上海)有限公司), a company incorporated in the PRC with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China and for the purpose of this announcement excluding Hong Kong, The Macau Special Administrative Region of PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Shareholder(s)”	shareholder(s) of the Company
“WMVL”	Wisdom Man Ventures Limited, a substantial shareholder of the Company
“%”	per cent

By Order of the Board
Topsports International Holdings Limited
Yu Wu
CEO & Executive Director

Hong Kong, February 28, 2022

As at the date of this announcement, the Board of Directors of the Company comprises Mr. YU Wu and Mr. LEUNG Kam Kwan as executive Directors and Mr. SHENG Baijiao, Mr. SHENG Fang, Ms. YUNG Josephine Yuen Ching and Ms. HU Xiaoling as non-executive Directors, Mr. LAM Yiu Kin, Mr. HUA Bin and Mr. HUANG Victor as independent non-executive Directors.